

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF HAWAII**

**GUIDELINES FOR COMPENSATION
AND EXPENSE REIMBURSEMENT OF PROFESSIONALS AND TRUSTEES**

The following guidelines are promulgated pursuant to LBR 2016-1(a) and govern the most significant issues related to applications for compensation and expense reimbursement. The guidelines cover the narrative portion of an application, time records and expenses. They apply in their entirety to professionals seeking compensation under 11 U.S.C. § 330 in all pending cases, and, where indicated, to Chapter 7 and Chapter 11 trustees in applications for compensation and expense reimbursement filed on or after July 1, 1999. The guidelines are not intended to cover every situation or to limit in any way the court's authority in determining, pursuant to 11 U.S.C. § 330, whether requests for compensation are reasonable, and that services and expenses are actual and necessary. The court is advised that compliance with these guidelines will satisfy the requirements of the United States Trustee.

Applicants should note that LBR 2016-1(b) requires that every application for compensation and reimbursement of expenses also must include a concise summary sheet of information specified in that rule. A sample summary sheet is available from the Clerk's office.

I. Guidelines Applicable To Attorneys And Other Professionals

The Narrative

1. **Employment and Prior Compensation**--The application should disclose the date of the order approving applicant's employment and contain a clear statement itemizing the date of each prior request for compensation, the amount requested, the amount approved and the amount paid.
2. **Case Status**--With respect to interim requests, the application should briefly explain the history and the present posture of the case.

In Chapter 11 cases, the information furnished should describe the general operations of the debtor; whether the business of the debtor, if any, is being operated at a profit or loss; the debtor's cash flow; whether a plan has been filed, and if not, what the prospects are for reorganization and when it is anticipated that a plan will be filed and a hearing set on the disclosure statement.

In Chapter 7 cases, the application should contain a report of the administration of the case including the disposition of property of the estate; what property remains to be disposed of; why the estate is not in a position to be closed; and whether it is feasible to pay an interim dividend to creditors.

In both Chapter 7 and Chapter 11 cases, the application should state the amount of money on hand in the estate and the estimated amount of other accrued expenses of administration. On applications for interim fees, the applicant should orally supplement the application at the hearing to inform the court of any changes in the current financial status of the debtor's estate since the filing of the application.

With respect to final requests, applications should meet the same criteria except, where a Chapter 7 Trustee's final account is being heard at the same time, the financial information in the final account need not be repeated.

Fee applications submitted by special counsel seeking compensation from a fund generated directly by their efforts, auctioneers, real estate brokers, or appraisers do not have to comply with the above. For all other applications, when more than one application is noticed for the same hearing, they may, to the extent appropriate, incorporate by reference the narrative history furnished in a contemporaneous application.

3. **Project Billing**--In any application exceeding \$10,000, or when the professional's anticipated services for the case will exceed \$20,000, the narrative should categorize by subject matter and separately discuss each professional project or task. All work for which compensation is requested should be in a category. Miscellaneous items may be included in a category such as "Case Administration." (Such a miscellaneous category should not generally represent more than 15% of the fee request.) The professional may use reasonable discretion in defining projects for this purpose, provided that the application provides meaningful guidance to the court as to the complexity and difficulty of the task, the professional's efficiency and the results achieved. (A separate category should generally be created for a project when the fees attributable to that project exceed \$5,000.) With respect to each project or task, the number of hours spent and the amount of compensation and expenses requested should be set forth at the conclusion of the discussion of that project or task. Please also note the requirements in Guideline 11 relating to time records by project.
4. **Billing Summary**--Hours and total compensation requested in each application should be aggregated and itemized as to each professional and paraprofessional who provided compensable services.
5. **Paraprofessionals**--Fees may be sought for paralegals, professional assistants and law clerks only if identified as such and if the following requirements are met:
 - (a) The services for which compensation is sought would have had to be done by the professional if not done by the paraprofessional, and would have been compensable under these guidelines;
 - (b) The person who performed the services is specially trained or is a law school student, and is not primarily a secretary or clerical worker; and
 - (c) The application includes a resume or summary of the paraprofessional's qualifications.
6. **Preparation of Application**--Reasonable fees for preparation of a fee application may be requested. The aggregate number of hours spent, the amount requested and the percentage of the total request which the amount represents must be disclosed. If the actual time spent will be reflected and charged in a future fee application, this fact should be stated but an estimate nevertheless provided.
7. **Client Review of Billing Statement**--A debtor in possession, trustee or official committee

shall exercise reasonable business judgment in monitoring the fees and expenses of the estate's professionals. In any case where the charge for the professional's anticipated services will exceed \$10,000, billing statements should be sent to the employing entity (debtor in possession, trustee or official committee) on a monthly basis. A fee application shall be sent to the employing entity at least 28 days prior to the scheduled hearing date. The application shall be transmitted with a cover letter that contains the following statement: "The court's Guidelines for Compensation and Expense Reimbursement of Professionals and Trustees provide that a debtor in possession, a trustee or an official committee must exercise reasonable business judgment in monitoring the fees and expenses of the estate's professionals. We invite you to discuss any objections, concerns or questions you may have with us. The Office of the United States Trustee will also accept your comments. The court will also consider timely filed objections by any party in interest at the time of the hearing."

8. **Certification**--Each application for compensation and expense reimbursement must contain a certification by the professional designated by the applicant with the responsibility in the particular case for compliance with these guidelines ("Certifying Professional") that: (a) the Certifying Professional has read the application; (b) to the best of the Certifying Professional's knowledge, information and belief, formed after reasonable inquiry, the compensation and expense reimbursement sought is in conformity with these guidelines, except as specifically noted in the certification application; and (c) the compensation and expense reimbursement requested are billed at rates, in accordance with practices, no less favorable than those customarily employed by the applicant and generally accepted by the applicant's clients.
9. **Chapter 7 Short Form Application**--Where the professional is filing only a final request for compensation and expense reimbursement in a Chapter 7 case and the request does not exceed \$5,000 for the case, the professional has the option of utilizing the approved Chapter 7 form application. Copies of the approved short form application are available in the Clerk's office. Use of the approved short form shall satisfy the summary sheet requirement of LBR 2016-1(b).

Time Records

10. **Time Records Required**--All professionals, except auctioneers, real estate brokers, appraisers and those employed on a contingency fee basis, must keep accurate contemporaneous time records. The court may, however, specifically direct that time records be kept on a contingent fee matter.
11. **Time Records By Project**--In any application exceeding \$10,000, or where the professional's anticipated services for the case will exceed \$20,000, time records should be kept by categories as described in Paragraph 3 relating to Project Billing above. Time records should be sorted, assembled and attached to the application by category corresponding to the discussion in the narrative.
12. **Increments**--Professionals are required to keep time records in minimum increments no greater than 6 minutes. Professionals who utilize a minimum billing increment greater than .1 hour are subject to a substantial reduction of their requests.
13. **Descriptions**--At a minimum, the time entries should identify the person performing the

services, the date performed, what was done and the subject involved. Mere notations of telephone calls, conferences, research, drafting, etc., without identifying the matter involved, may result in disallowance of the time covered by the entries.

14. **Clumping**--If a number of separate tasks are performed on a single day, the fee application should disclose the time spent for each such task (i.e., no "grouping" or "clumping").
15. **Conferences**--Professionals should be prepared to explain time spent in conferences with other professionals or paraprofessionals in the same firm. Failure to justify this time may result in disallowance of all fees related to such conferences.
16. **Multiple Professionals**--Professionals should be prepared to explain the need for more than one professional or paraprofessional from the same firm at the same court hearing, deposition or meeting. Failure to justify this time may result in compensation for only the person with the lowest billing rate.
17. **Airplane Travel Time**--Airplane travel time is not compensable, but work actually done during a flight is compensable. If significant airplane travel time is expected in a case, specific guidelines should be obtained for that case.
18. **Administrative Tasks**--Time spent in addressing, stamping and stuffing envelopes, filing, photocopying or "supervising" any of the foregoing is not compensable, whether performed by a professional, paraprofessional or secretary.
19. **Privilege or Excise Taxes on Compensation**--Amounts attributable to privilege or excise taxes, but not income taxes, payable on receipts for compensation may be included in requests for compensation if customarily charged to nonbankruptcy clients.

Expenses

20. **Firm Practice**--All expenses for which reimbursement is sought must be of the kind, and at the least expensive rate, the applicant customarily charges nonbankruptcy clients. A firm's customary charges remain subject to a determination that the charges are actual and necessary, pursuant to 11 U.S.C. § 330.
21. **Actual Cost**--Is defined as the amount paid to a third party provider of goods or services without enhancement for handling or other administrative charge.
22. **Documentation**--Must be retained and made available upon request for all expenditures in excess of \$50.00. Where possible, receipts should be obtained for all expenditures.
23. **Office Overhead**--Not reimbursable. Overhead includes: secretarial time, secretarial overtime, word processing time, charges for after-hour and weekend air conditioning and other utilities, and cost of meals or transportation provided to professionals and staff who work late or on weekends.
24. **Computerized Research**--Actual cost.

25. **Paraprofessional Services**--May be compensated as a paraprofessional under § 330 but not charged or reimbursed as an expense.
26. **Professional Services**--A professional employed under § 327 may not employ, and charge as an expense, another professional (e.g., special litigation counsel employing an expert witness) unless the employment of the second professional is approved by the court prior to the rendering of services.
27. **Photocopies (Internal)**--Charges must be disclosed on an aggregate and per page basis. If the per page cost exceeds \$.20, the professional must demonstrate to the satisfaction of the court, with data, that the per page cost represents a good faith estimate of the actual cost of the copies, based upon the purchase or lease cost of the copy machine and supplies therefor including the space occupied by the machine, but not including time spent in operating the machine.
28. **Photocopies (Outside)**--Actual cost.
29. **Postage**--Actual cost.
30. **Overnight Delivery**--Actual cost where shown to be necessary.
31. **Messenger Service**--Actual cost where shown to be necessary. An in-house messenger service is reimbursable but the estate cannot be charged more than the cost of comparable services available outside the firm and only where such service is customarily charged to nonbankruptcy clients.
32. **Facsimile Transmission**--Actual cost of telephone charges for outgoing transmissions are reimbursable. In lieu of actual telephone charges, outgoing faxes are reimbursable on a per page basis, at a rate not exceeding \$1.00 for the first page and \$.20 for each additional page. Incoming faxes are reimbursable on a per page basis, at a rate not exceeding \$.20 per page. If the per page costs exceed the limits noted above, the professional must demonstrate to the satisfaction of the court, with data, that the per page cost represents a good faith estimate of the actual cost of the copies. The machine operator's time is not reimbursable.
33. **Long Distance Telephone**--Actual cost.
34. **Air Transportation**--Air travel is expected to be at regular coach fare for all flights.
35. **Hotels**--Due to wide variation in hotel costs in various cities, it is not possible to establish a single guideline for this type of expense. All persons will be required to exercise discretion and prudence in connection with hotel expenditures.
36. **Meals-Travel**--The cost of lunches while a party is away from the island or state where the party's principal business is located, is not reimbursable. Reimbursement may be sought for the reasonable cost of breakfast and dinner while traveling.
37. **Meals-Working**--Working meals at restaurants or private clubs are not reimbursable. Reimbursement may be sought for working meals only where food is catered to the

professional's office in the course of a meeting with clients, such as a Creditors Committee, for the purpose of allowing the meeting to continue through a normal meal period.

38. **Amenities**--Charges for entertainment, alcoholic beverages, newspapers, dry cleaning, shoe shines, etc., are not reimbursable.
39. **Filing Fees**--Actual cost.
40. **Court Reporter Fees**--Actual cost.
41. **Witness Fees**--Actual cost.
42. **Process Service**--Actual cost.
43. **UCC Searches**--Actual cost.
44. **Privilege or Excise Taxes on Costs**--Amounts attributable to privilege or general excise taxes, but not income taxes, payable on receipts for reimbursement of the above expenses are reimbursable to the extent that the taxes will be paid to the taxing authority.

II. Guidelines Applicable To Trustees

Chapter 7 and Chapter 11 trustees are responsible for maintaining contemporaneous time records in every case. Time records must be maintained by project categories. At a minimum, project categories should include: (1) Assets Recap (asset analysis and recovery/asset disposition); (2) Investigation of Financial Affairs of the Debtor; (3) Claims Administration and Objections; and (4) Fee Applications. Trustees may add additional categories at their discretion. Trustees are also subject to Guidelines 4, 5 (subject to § 326), 10, 12, 13 and 20 - 44 dealing with expenses.

In cases in which the trustee's compensation request is anticipated to be \$5,000 or less, the trustee may submit a brief narrative description of the services performed and a statement of the amount of time spent. In cases in which the final compensation exceeds \$5,000, or where an interim request is made and it is anticipated that the total compensation requested will exceed \$5,000, the trustee's application must include time records as well as a narrative description of the services performed and comply with the guidelines referenced above.

In all cases where the trustee is seeking compensation for services after disbursing or turning over moneys to parties in interest, including holders of secured claims, the request shall include the calculation of the statutory limitation in 11 U.S.C. § 326(a). The request shall also provide a calculation of the effective hourly rate of the compensation request, being the amount requested for compensation divided by the actual hours expended for the trustee's services. A trustee is expected to exercise reasonable billing judgment if requesting the maximum amount permitted under the statutory limitation. The trustee may include as part of the compensation request an amount attributable to liability for privilege or excise taxes, but subject to the statutory limitation imposed by 11 U.S.C. § 326(a).

Guidelines applicable to trustees are effective for all requests for compensation and expense reimbursement filed on or after July 1, 1999.

_____ For Chapter 7 Trustee

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF HAWAII**

In re)	Case No.	_____
)		
)	Chapter	7
)		
Debtor.)		
_____)		

**CHAPTER 7 FINAL APPLICATION FOR COMPENSATION BY
_____ FOR TRUSTEE; CERTIFICATION; EXHIBIT "A"**

This application is submitted pursuant to Guideline 9 of the Guidelines for Compensation and Expense Reimbursement of Professionals and Trustees adopted by the United States Bankruptcy Court for the District of Hawaii. Pursuant to Guideline 9, the fees and costs requested do not exceed \$5,000, and Applicant has elected use of this form as a substitute for the narrative required by the Guidelines and the summary sheet required by LBR 2016-1(b).

- | | | |
|-----|---|----------|
| 46. | Total Fees and Costs Requested: | \$ _____ |
| 2. | Date of Filing of Case: | _____ |
| 3. | Name of Trustee: | _____ |
| 4. | Total Receipts of Trustee: | \$ _____ |
| 5. | Present Balance on Hand: | \$ _____ |
| 6. | Date of Appointment of Applicant: | _____ |
| 7. | Time Period of Application: From _____ To _____ | |

8. Request Details:

<u>Professional</u>	<u>Hourly Rate</u>	<u>Time</u>	<u>Fees</u>
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____

9. Average Hourly Rate: \$ _____

10. Total Fees Requested: \$ _____

11. Total Excise Tax (if any): \$ _____

12. Total Costs Requested: \$ _____

13. Brief Description of Services:

A detailed billing statement including costs is attached hereto as Exhibit "A".

Dated: _____

_____ For Chapter 7 Trustee

CERTIFICATION

I, _____, declare as follows:

1. That I am a _____ of _____
_____.
2. That I am familiar with and have read the above application and the facts therein are true to my knowledge and belief. The copies of the billing statements are true and correct copies of Applicant's billing statements for this case.
3. That the firm of _____ has not been paid or promised any compensation from any other source for services rendered in connection with this case.
4. That _____ has not entered into any agreement or understanding with any other entity for the sharing of compensation received or to be received for services rendered or to be rendered in connection with this case.
5. That the compensation and expenses sought herein were billed at rates no less favorable than those customarily billed by Applicant and generally accepted by the Applicant's clients.
6. That to the best of my knowledge, information and belief, the compensation and expense reimbursement sought herein is in conformity with the Guidelines for Compensation and Expense Reimbursement of Professionals and Trustees for the United States Bankruptcy Court for the District of Hawaii, except to the extent particularly set forth in the application.

I declare under penalty of perjury that the foregoing is true and correct and that this certification was executed this _____ day of _____ at _____, Hawaii.
